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June 28, 2002

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

On this date I have signed with line item vetoes the following bill passed by the second special session of the Twenty-second Alaska State Legislature and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

SENATE BILL NO. 2006

"An Act making and amending appropriations and reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Chapter No. 1, SSSLA 2002

Throughout the session, there were many claims from members of the legislative majority that various programs had to be cut, the state could not afford my proposed investments in education and child protection, and certain projects in my capital budget could not be funded because there was not enough money. From those statements, Alaskans might have expected a very lean state-funded capital budget. In fact, the combined costs of this capital budget bill, the two general obligation bond bills, and the debt reimbursement bill result in one of the largest obligations of state funds for capital construction in many years.

The irony is that despite this capital "largesse", only a token level of funding was provided for one of the most basic elements of my proposed infrastructure program: deferred maintenance. Whereas I proposed issuing \$137 million of debt to repair, and in some cases replace, aging state facilities from Pioneers Homes to prisons, the legislature provided only \$10 million toward a nearly billion dollar problem. The legislature itself recognized the magnitude of deferred maintenance needs facing our state just a few years ago when it appointed a task force to focus on this problem.

In this capital budget bill alone, legislators added some \$23 million dollars for projects in their districts. Alaskans will undoubtedly disagree about the necessity of many of these legislative capital budget add-ons, especially at a time when the legislature claimed funds were so scarce that they had to cut public safety, roads and state parks. Nevertheless, many of these add-ons have worthwhile purposes such as school repair, programs for seniors and children, and local road improvements. A few are for projects that most Alaskans would agree are state responsibilities. But the level is much higher than in recent years and that flies in the face of fiscal restraint and legislative claims of insufficient funds for basic services.

I believe most Alaskans would agree that some of these projects are unwarranted under present circumstances. I have vetoed them for the reasons outlined below.

The first three vetoes total \$220,000 which is nearly the amount the legislature could have used to restore winter maintenance on the Steese Highway. While recognizing the abundance of mosquitoes in Alaska, asking the state to pay for "mosquito magnets" cannot be justified. That's why I have vetoed the \$20,000 grant to Larsen Bay to purchase them (page 6, line 32). Nor does the state have an obligation to provide \$150,000 in operating funds for the private non-profit Alaska Aviation Heritage Museum (page 20, line 9), especially when the group has claimed for years that it could be self-supporting and we don't even have enough funds to operate all our state-owned parks. The production of another video on how to trap wolves is unnecessary because an adequate video is available to the public through the Alaska Department of Fish and Game. So I have vetoed \$50,000 to the Alaska Trappers Association to produce another video (page 20, line 26).

Several larger appropriations for things that are not typically state responsibilities surfaced very late in the legislative process and received virtually no public discussion. The legislature added \$100,000 to study the feasibility of constructing a new World Trade Center office building in Anchorage (page 99, line 8). I vetoed it because there is no evidence that this building is needed by state agencies or that the private sector is unable to provide adequate commercial space in Anchorage.

I vetoed a grant for \$500,000 directed to the Alaska Geospatial Information Coalition (page 138, line 22) which includes a private sector mapping company. This constitutes a sole-source grant without competitive public bid. Further, questions have been raised regarding the amount of information generated with this grant that will be available in the public domain. This grant would just be the first installment of a multi-year multi-million dollar state commitment. It is imperative that geomapping be pursued in strict compliance with state procurement rules and that we know in advance precisely how the public needs and interests will be met. There are excellent reasons to pursue private-public partnerships for detailed mapping of the state. I will direct state agencies to develop a plan outlining an appropriate process for moving the state forward to determine how the public and private sectors can work together to achieve the laudable goals of improved, widely accessible mapping data.

I vetoed another late-breaking appropriation which was a \$1 million no-interest loan to the community of Delta Junction for payment of its settlement agreement in litigation over the unsuccessful private prison proposal there (page 121, line 26). The loan would be converted to a grant if the community joined a borough. The state was not a party to this litigation and there is no public purpose for state expenditures in legal settlements in which the state has no interest. The state should not be viewed as the deep pocket by private parties dealing with local governments.

I have vetoed a grant to the Matanuska Electric Association (MEA) for \$10 million (page 131, lines 13 and 24) and reduced another MEA grant (page 131, lines 13 and 22) from \$6 million down to the \$500,000 amount which was in HB 175, a package of Railbelt Energy Fund projects. Unlike other projects funded in the capital budget from the Railbelt Energy Fund, the \$10 million item appeared only at the last minute and no project justification or back-up was provided. The increase from a \$500,000 to a \$6 million project was also made at the last minute with no justification or back-up.

As detailed in my operating budget transmittal, the legislature appropriated more money to the debt retirement fund than will be needed next year, even as it claimed there was not enough money to maintain

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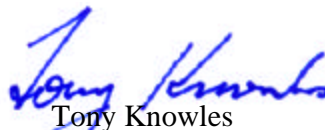
basic services. This was partly due to a particularly disingenuous accounting method of setting the date for the \$20 million general fund appropriation so it takes effect in the current fiscal year rather than FY2003. This is clearly a maneuver to mislead the public concerning legislative spending levels. I am reducing the "supplemental" appropriation in this bill (page 130, line 18) by \$8,468,300 so the amount funded for debt service in the two bills equals the anticipated need for next year.

Despite written notification from both the Legislative Finance Division and my Office of Management and Budget, the legislature over-appropriated the maximum allowable dividend from the Alaska Industrial Development and Export Authority (AIDEA) by \$1 million. I do not think it is appropriate to fix this error by reducing the long-standing community capital matching grants program or eliminating state funding for subsistence activities in the Department of Fish and Game. (I do think it is imperative that the legislature switch subsistence funding back to general funds next year.) Therefore, I took the only viable alternative which is to correct the over-appropriation by reducing the amount of AIDEA dividends used for Federal Aid Highway State Match (page 49, lines 11 and 19-20). If more matching funds are needed once final congressional action is known, the next legislature can correct this year's error with a supplemental appropriation.

The legislature appropriated money to itself for two studies which could have been partially funded with federal funds if the appropriations had been made to the Department of Health and Social Services (HSS). The first appropriation for one study is to Legislative Budget and Audit to develop a state health facilities plan (page 100, line 6) with the second appropriation of federal funds for that study going to HSS (page 100, line 31). Although the study appropriations call for about half state and half federal funds, the federal funds will not be available and the \$31,300 in reappropriated state funds will not be adequate to do the work so I am vetoing both parts. The other is a study of welfare and Medicaid recipients funded with \$200,000 in general funds (page 108, line 16) even though HSS officials told legislators Medicaid could pay half of that if the appropriation went to HSS instead. I have also vetoed these two appropriations because studies of this kind are more appropriately conducted by the executive branch and, in the case of the latter study, because of the bad precedent of having funds go to the appropriate executive branch agency via a contract with a legislative body.

As I noted in my operating budget transmittal letter, my administration started the session hopeful of developing the coming year's budget within the framework of a long-range fiscal plan. As in past years, we were also hopeful of working on the budget with the legislature in an open process with full disclosure of the true financial impacts of providing services. I think the public shared these hopes, but they were not fulfilled in this session. Alaskans deserve more than the shortsighted approach used by recent legislatures. I hope future legislatures will recognize that it is not acceptable to spend billions of public dollars providing services on which Alaskans depend without the context of a long-range fiscal plan.

Sincerely,



Tony Knowles
Governor